

Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03 SS-20

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FM AMEMBASSY PARIS

TO SECSTATE WASHDC 5577

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E.O. 11652: N/A

TAGS: ETRD, FR, UR

SUBJECT: VISIT OF SOVIET MINISTER OF FOREIGN TRADE, PATOLICHEV,
TO PARIS

REF: PARIS 31587

SUMMARY: PATOLICHEV SIGNED DOLS 200 MILLION CONTRACT FOR PETRO-
CHEMICAL COMPLEX WITH ALL CREDITS REPAID FROM PRODUCTION. HE ALSO
HELD SUBSTANTIVE DISCUSSIONS WITH FRENCH BUSINESS LEADERS WHICH
WILL PROBABLY LEAD TO IMPORTANT NEW CONTRACTS. FRENCH EFFORT TO
OBTAIN ADDITIONAL PETROLEUM SUPPLIES WERE REBUFFED BY SOVIETS.
END SUMMARY

1. MAIN EVENT OF PATOLICHEV DECEMBER 5-8 VISIT PARIS WAS
SIGNATURE OF DOLS 200 MILLION CONTRACT FOR CONSTRUCTION OF FIVE
PETROCHEMICAL FACTORIES IN USSR. CONTRACT SIGNED WITH LITWIN
FRANCE WHICH IS SUBSIDIARY OF U.S. FIRM AMTEL. LITWIN ROLE IS
OVERALL MANAGEMENT OF PROJECT, ENGINEERING SERVICES, PURCHASE
OF LICENSES AND EQUIPMENT AND SUPERVISION OF CONSTRUCTION. THIS
WILL COST APPROXIMATELY DOLS 100 MILLION WHILE BALANCE WILL BE
RUBLE COSTS FOR CONSTRUCTION AND REQUIRED INFRASTRUCTURE.

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2. ALL PARTIES PLAYED DOWN U.S. ROLE IN THIS DEAL. AXCEL

PRESIDENT PARTICIPATED IN NEGOTIATIONS AND WAS PRESENT FOR SIGNING BUT PRESIDENT OF LITWIN FRANCE, A U.S. CITIZEN, ACTUALLY SIGNED. LITWIN OFFICIAL STATED THAT LITWIN FRANCE, AND OTHERS SUBMITTED PROPOSALS IN DECEMBER 1972. LITWIN FRANCE BID ACCEPTED IN JUNE 1973 AND LITWIN MANAGEMENT ATTEMPTED HAVE ENTIRE DEAL HANDLED BY LITWIN'S U.S. PARENT COMPANY BUT SOVIETS REFUSED. SAME LITWIN OFFICIAL ESTIMATES MAXIMUM CONTRIBUTION TO U.S. BOP WILL BE DOLS 5 MILLION FOR PURCHASE OF LICENSES AND TECHNOLOGY FOR TWO FACTORIES, SOME SPECIALIZED EQUIPMENT AND LITWIN PROFITS. LITWIN EXPECTS THIS OPENING TO LEAD TO SIMILAR FUTURE CONTRACTS. THEY ARE WELL EQUIPPED TO DEAL WITH SOVIETS AS BOTH PRESIDENT AND HIS DEPUTY ARE RUSSIAN SPEAKERS.

3. ACCORDING CREDIT LYONNAIS OFFICIAL, 4.5 BILLION FRANC CREDITS MADE AVAILABLE FOR PERIOD 1970-74 WERE EXHAUSTED PRIOR SIGNATURE THIS CONTRACT. GOF THEREFORE FORCED MAKE ADDITIONAL 1.5 BILLION FRANCS CREDIT AVAILABLE FOR THIS CONTRACT AND OTHERS THROUGH 1974. THIS CONTRACT EXTREMELY ATTRACTIVE TO SOVIETS AS LITWIN HAS AGREED ACCEPT PRODUCTION FROM FACTORIES SUFFICIENT TO COVER ENTIRE AMOUNT OF CREDITS WITHIN 8-1/2 YEAR TERM OF LOAN. AS INITIAL PRODUCTION, WHICH EXPECTED BEGIN IN 1978, IS COMMITTED TO LOAN REPAYMENT, LITTLE PRODUCTION FROM THESE FACTORIES WILL ENTER SOVIET ECONOMY BEFORE 1980. SOVEMB OFFICER STATED THAT MOST FUTURE TURN KEY PROJECTS WOULD REQUIRE REPAYMENT OF CREDITS WITH PRODUCTION.

4. BOTH FRENCH AND SOVIET OFFICIALS STRESSED WARM, FRIENDLY NATURE OF PATOLICHEV MEETINGS. FRENCH CONTRIBUTION TO AURA OF GOOD FEELING WAS REMOVAL OF IMPORT QUOTAS AND RESTRICTIONS FROM ADDITIONAL CATEGORIES OF SOVIET EXPORTS. FRENCH ARE QUITE PLEASED THAT, THANKS IN PART TO THIS CONTRACT, 1973 WILL SHOW 40 PERCENT GAIN OVER 1972 IN EXCHANGES WITH SOVIETS AND THAT PROJECTED DOUBLING OF EXCHANGES IN PERIOD 1970-74 WILL EASILY BE REALIZED. PATOLICHEV HAD LONG PRIVATE DISCUSSIONS WITH PATRONAT PRESIDENT CEYRAC AND PRESIDENTS OF ST. GOBAIN, RHONE-POULENC, PECHINEY, AND COMPAGNIE GENERALE D'ELECTRICITE. FRENCH HOPE THESE DISCUSSIONS WILL LEAD TO FIRM CONTRACTS BY MAY MEETING OF GRANDE COMMISSION IN PARIS. FRENCH MINISTRY OF ECONOMY AND FINANCE OFFICIAL STATED ONE MINOR ANNOYANCE WAS PATOLICHEV'S FREQUENT LIMITED OFFICIAL USE LIMITED OFFICIAL USE

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COMMENT, "WHY CAN'T YOU FRENCH DO BUSINESS AS WELL AS HAMMER?" IT WAS EVIDENT THAT PATOLICHEV HAS HIGH REGARD FOR HAMMER.

5. FRNCH RAISED QUESTION OF INCREASED PETROLEUM PURCHASES FROM SOVIETS BUT PATOLICHEV NOT VERY RESPONSIVE. HE SAID PRODUCTION IS RISING AT SAME RATE AS USSR AND CEMA REQUIREMENTS. FRENCH APPROACH WAS TO INSIST ON REPAYMENT IN PRODUCTION AS IN LITWIN DEAL, FOR THEIR INVESTMENTS IN SOVIET PETROLEUM INDUSTRY. PATOLICHEV STATED THAT IN FUTURE SOVIETS WOULD SELL VERY LITTLE

CRUDE, ONLY REFINED PRODUCTS. SINCE PATOLICHEV DEPARTURE, FRENCH PETROLEUM COMPANIES HAVE BEEN REBUFFED IN EFFORTS TO DISCUSS PETROLEUM PURCHASES BUT GO NOT DROPPING IDEA OF PURCHASING PETROLEUM AND IS SENDING DELEGATION TO MOSCOW FOR FURTHER DISCUSSIONS.

6. COMMENT: THIS IMPORTANT CONTRACT IS PLEASING TO SOVIETS BECAUSE OF CREDIT REPAYMENT ARRANGEMENTS AND TO FRENCH FOR LARGE SALES OF FRENCH EQUIPMENT. FOR SEVERAL MONTHS SOVIET CONTACTS IN ECONOMIC AND COMMERCIAL AREA HAVE DISCUSSED PROS AND CONS OF DEALING WITH U.S. SUBSIDIARIES IN FRANCE. IN THIS DEAL, PROS ON OVER CONS, AS QUALIFIED FRENCH FIRMS ALSO SUBMITTED BIDS. FUTURE DEALS OF THIS NATURE WOULD BE MORE ADVANTAGEOUS TO U.S. IF LARGER PERCENTAGE OF REQUIRED EQUIPMENT (ONLY 5 PERCENT IN THIS CASE) COULD BE PURCHASED IN U.S.

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